

Alberta To Remain A Growth Leader

May, 2018

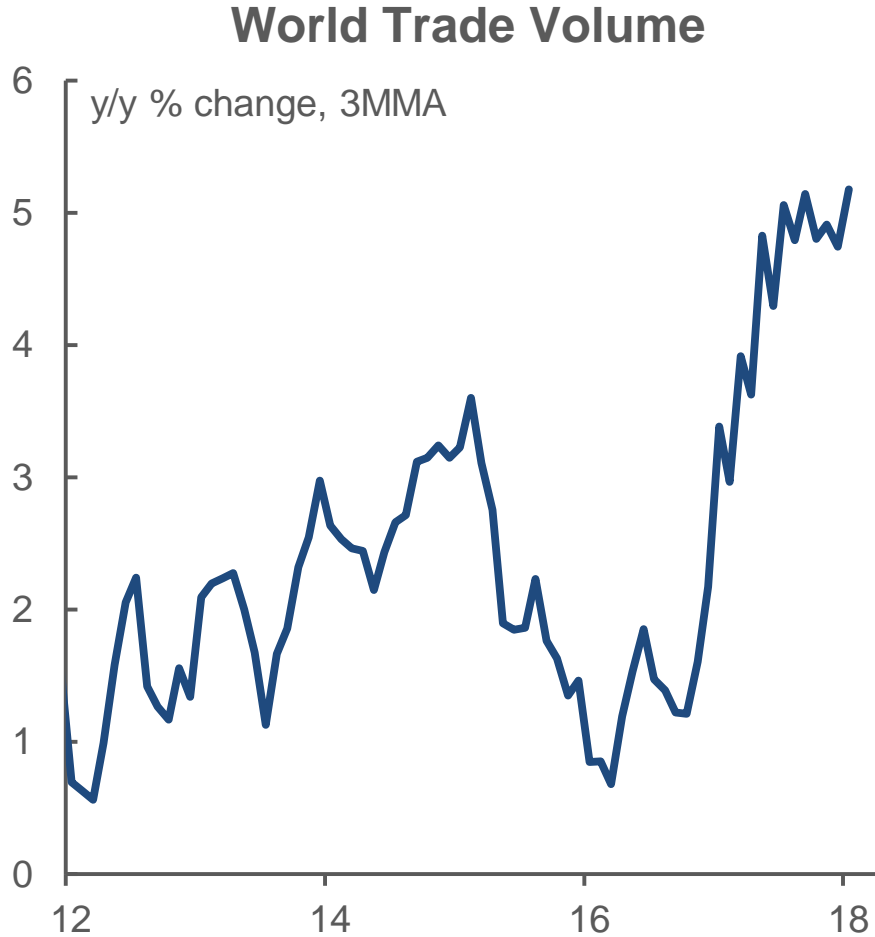
Derek Holt

Vice President & Head Of Capital Markets Economics

Scotiabank Economics



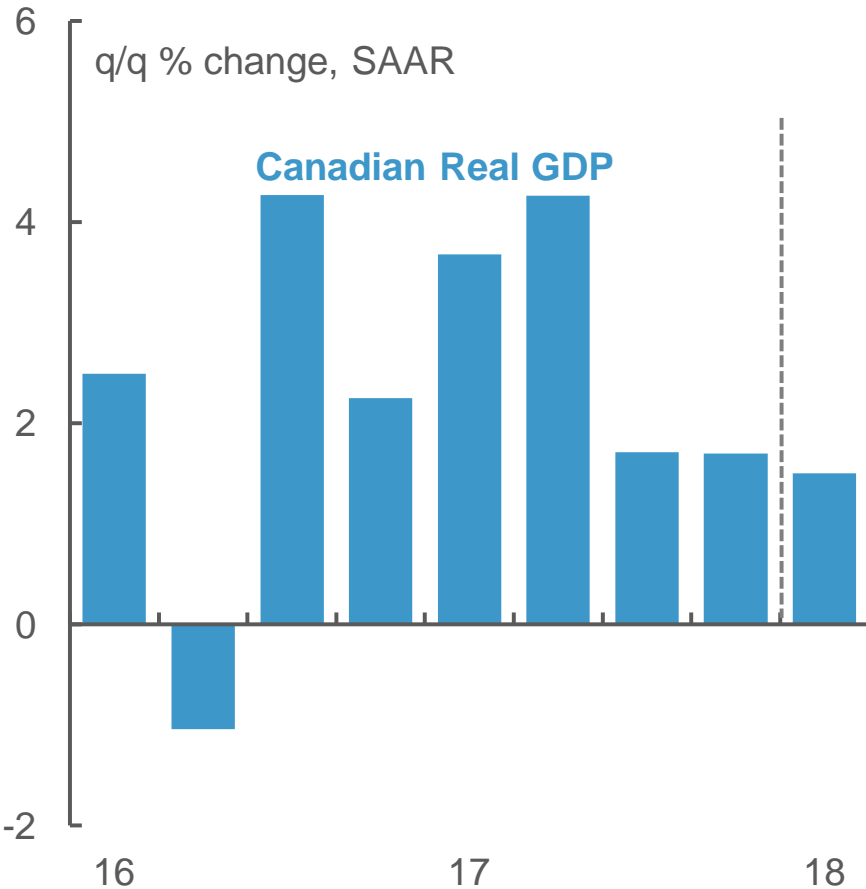
Despite Protectionism, World Trade Is Rising



Sources: Scotiabank Economics, Netherlands Bureau for Economic Policy Analysis.

CDN Growth Is Softer, But More Diversified

Slower, But Not A Standstill



Sources: Scotiabank Economics, Bloomberg.

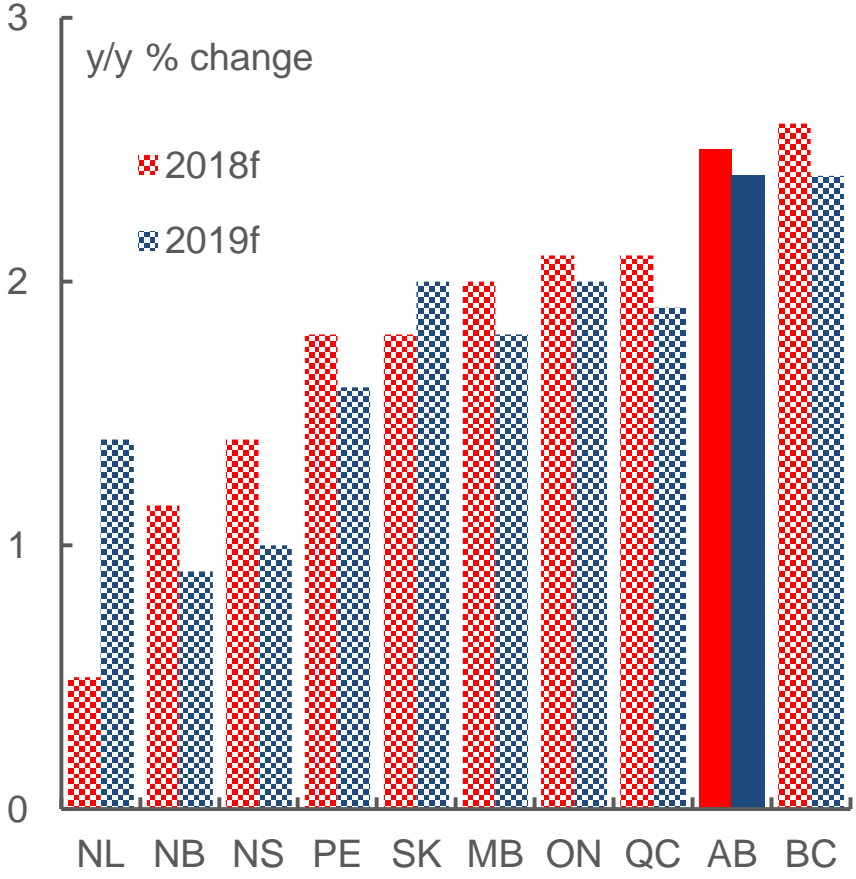
Canadian GDP Diffusion Index



Sources: Scotiabank Economics, Statistics Canada.

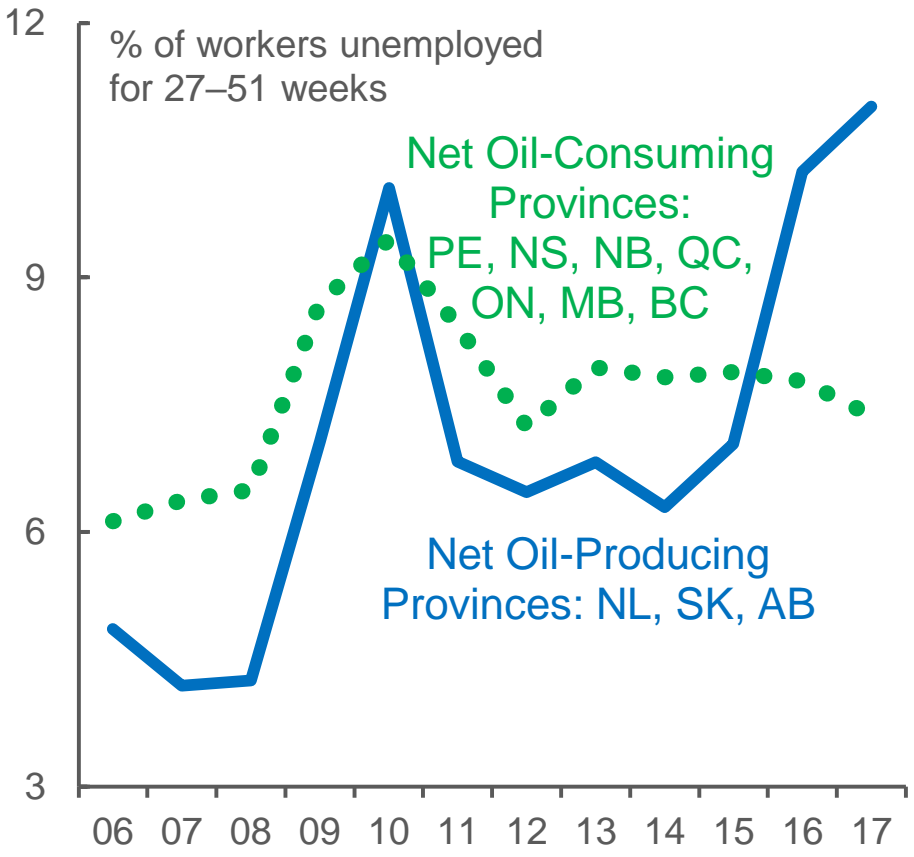
Alberta Is A Growth Leader, But It Is Still Recovering

Alberta Among Growth Leaders



Sources: Scotiabank Economics.

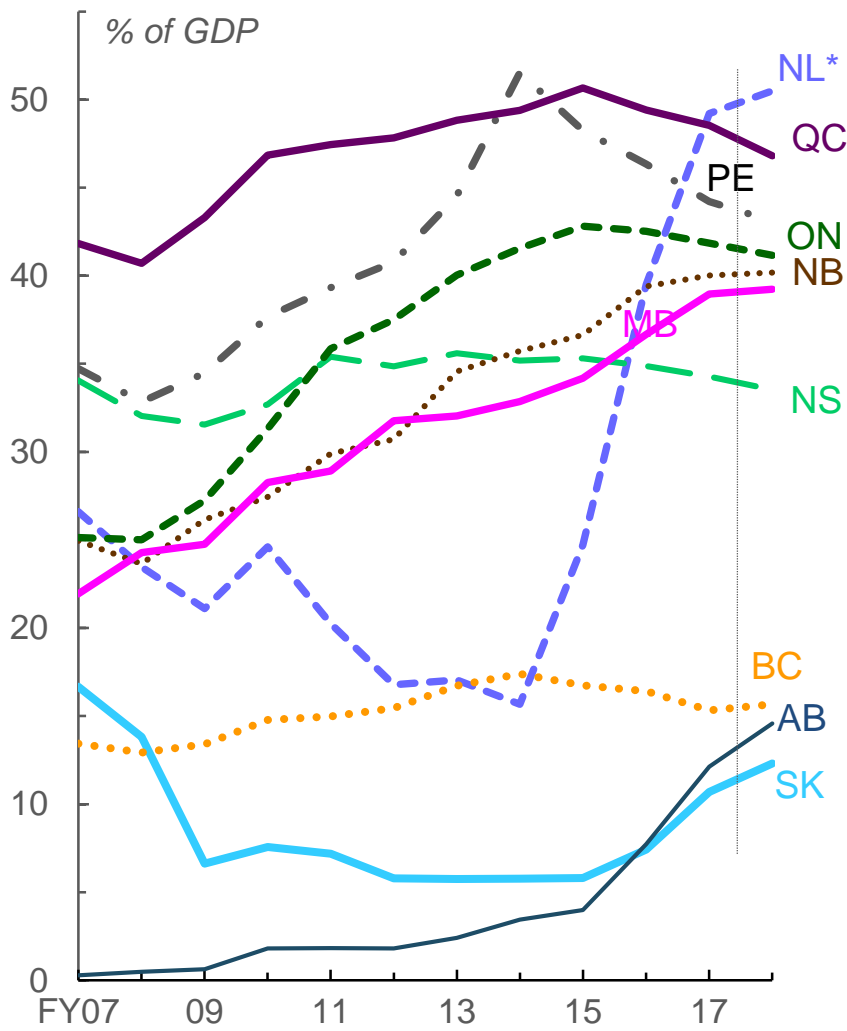
Long-Term Unemployment



Sources: Scotiabank Economics, Statistics Canada.

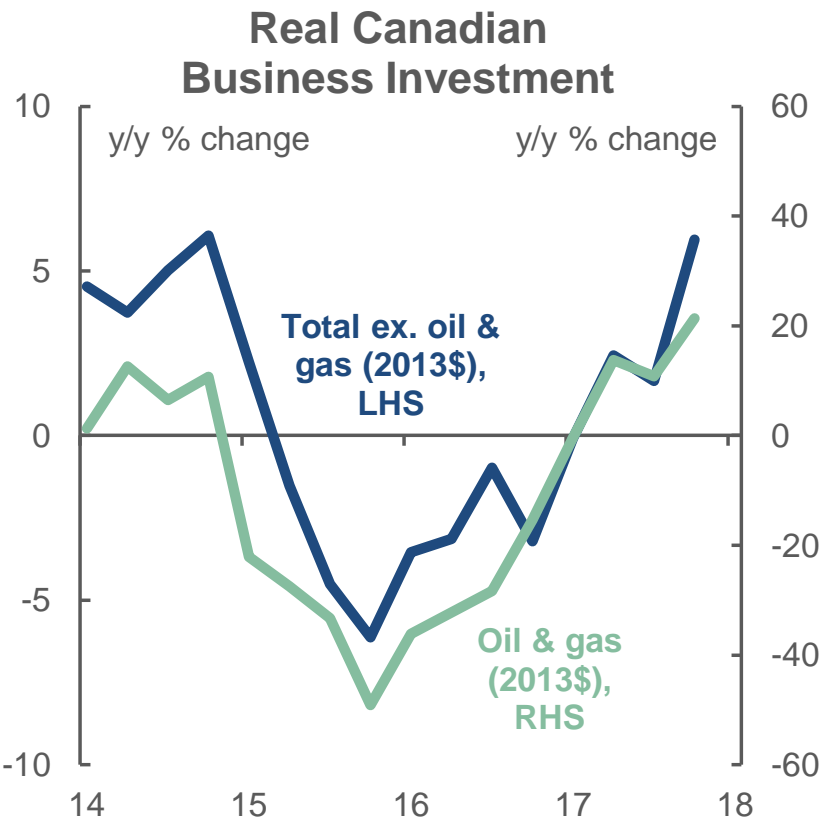
Alberta Remains A 'Lightweight' On Debt

Net Debt by Province

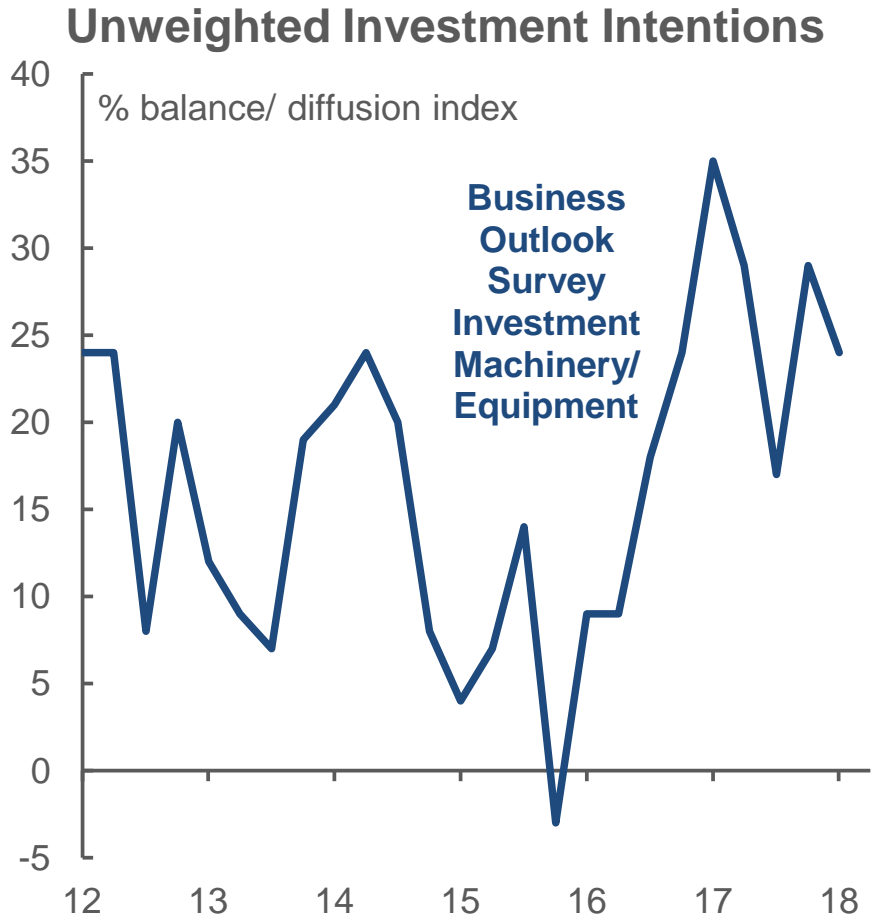


* Includes pension promissory notes. Sources: Historical debt: Moody's Investors Service; Statistics Canada; Scotiabank Economics.

Canadian Business Investment Is Gradually Mending



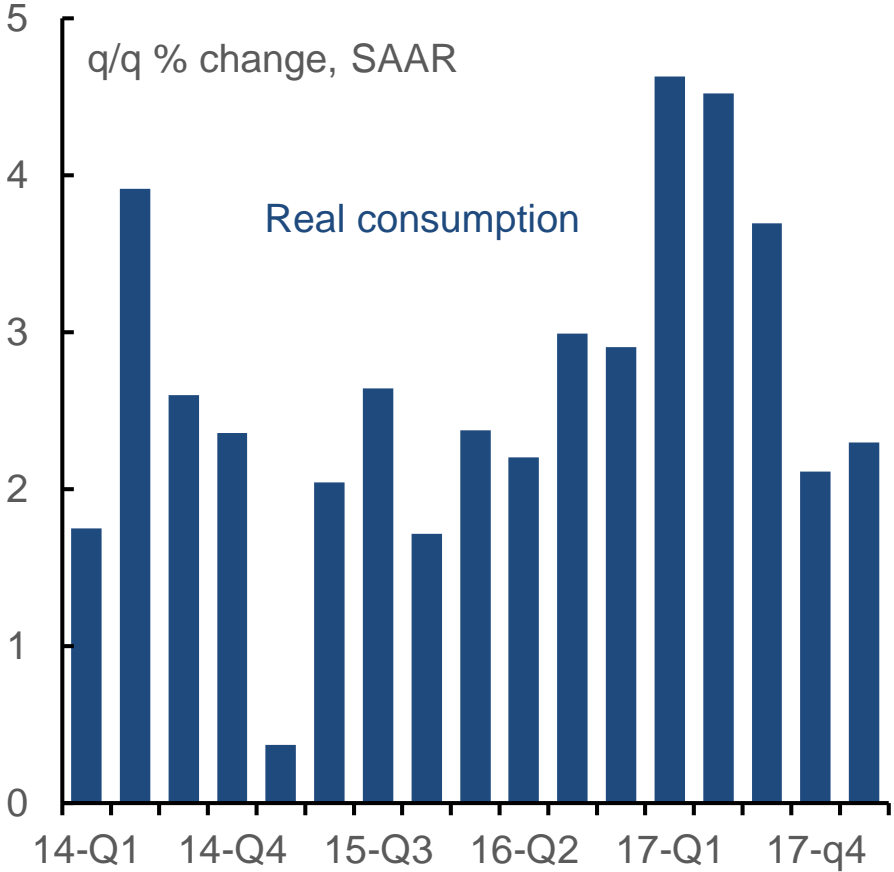
Sources: Scotiabank Economics, Statistics Canada.



Sources: Scotiabank Economics, Bank of Canada.

Consumers Are Hanging In, But Spending Has Slowed

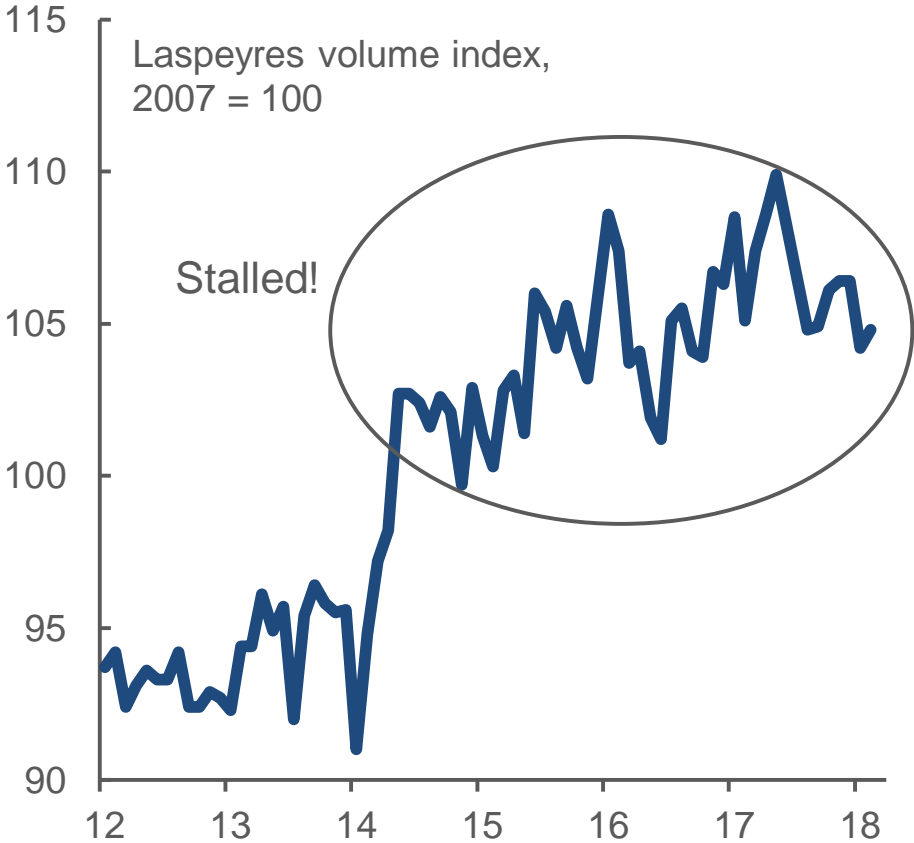
Consumers Never Retrenched Before Being Over-Stimulated



Sources: Scotiabank Economics, Statistics Canada.

Canadian Exports Are Elevated, But Erratic

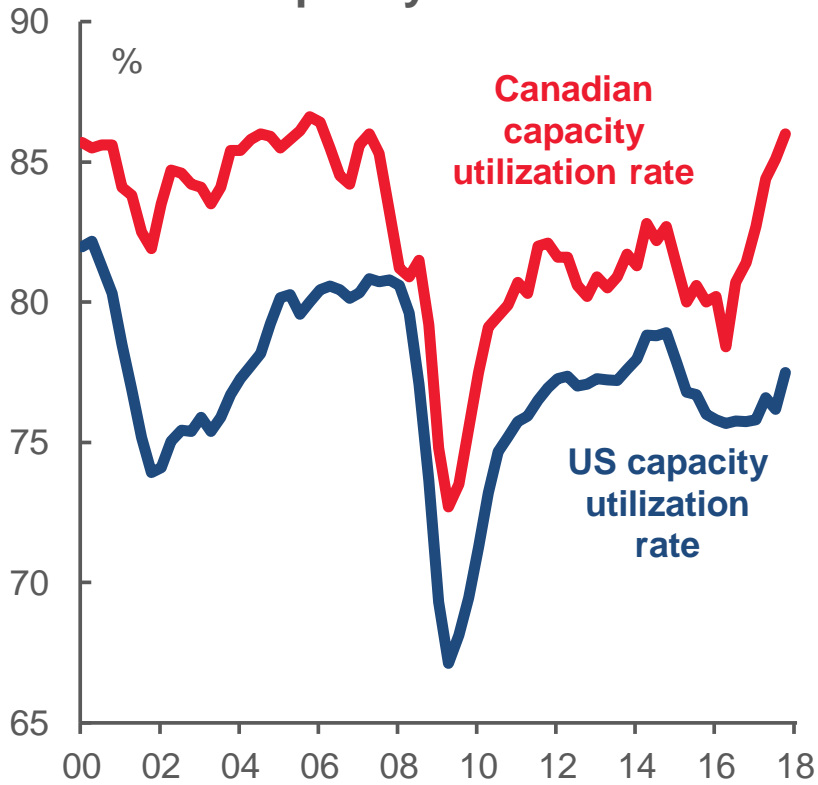
Canadian Export Volumes



Sources: Scotiabank Economics, Statistics Canada.

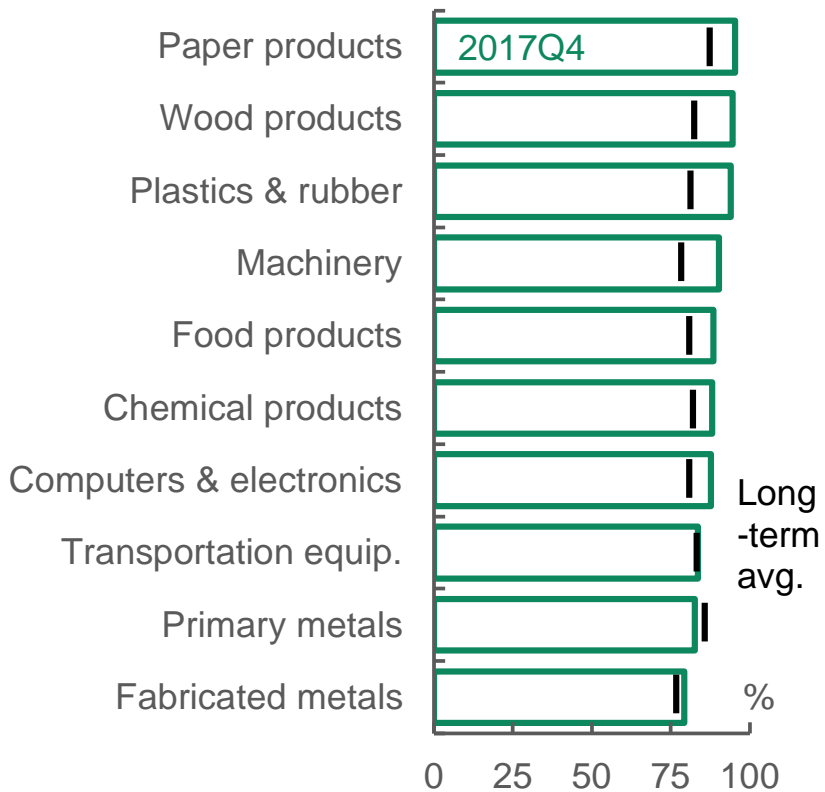
Canada Has No Spare Industrial Capacity Left

CDN Industry Faces Greater Capacity Pressures



Sources: Scotiabank Economics, Federal Reserve Board, Statistics Canada.

Capacity Utilization Rates

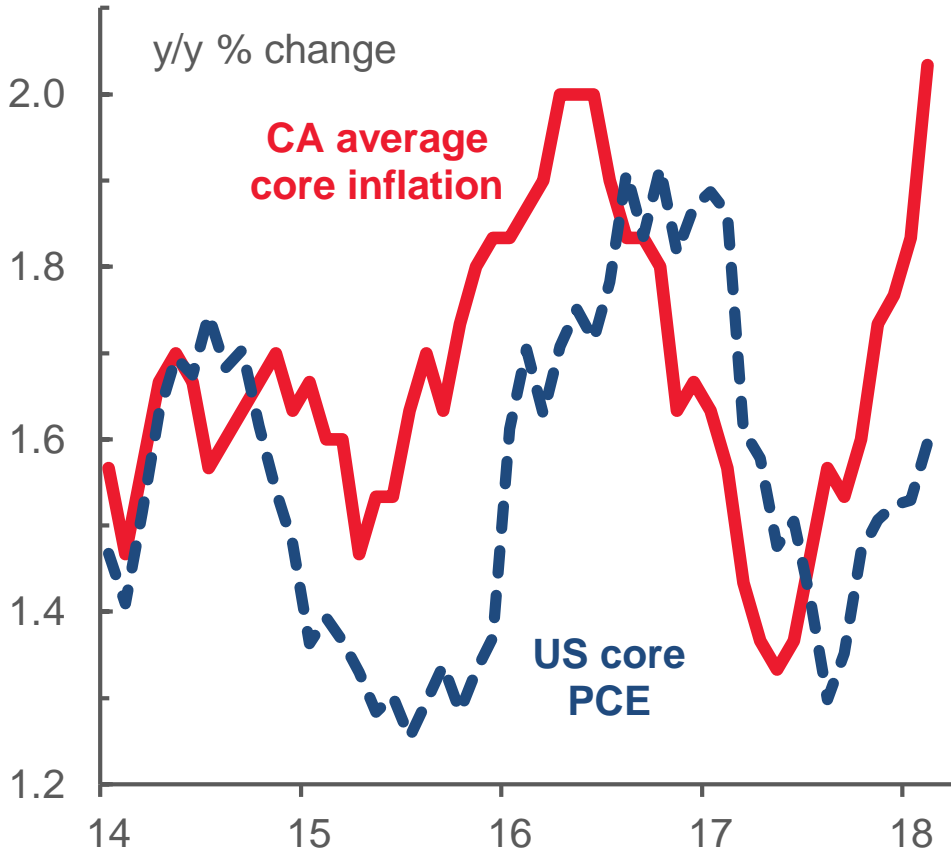


Sources: Scotiabank Economics, Statistics Canada.

NAFTA risks aside, they still have businesses to run. Capacity pressures require investing and hiring – and dealing with NAFTA risks if and when they arise.

Canadian Inflation Has Been Rising

CDN Core Inflation Rising Faster Than in the US



Sources: Scotiabank Economics, Statistics Canada, BEA.

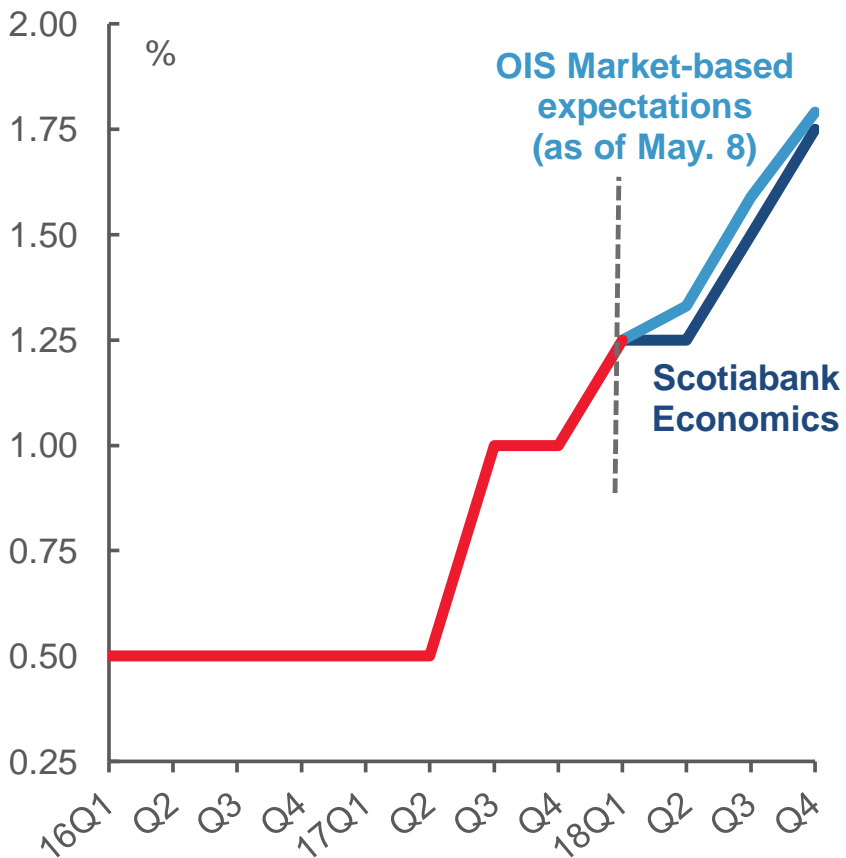
Canadian Wage Growth Is Picking Up



Sources: Scotiabank Economics, Statistics Canada. *weighted hourly earnings of salaried and hourly employees.

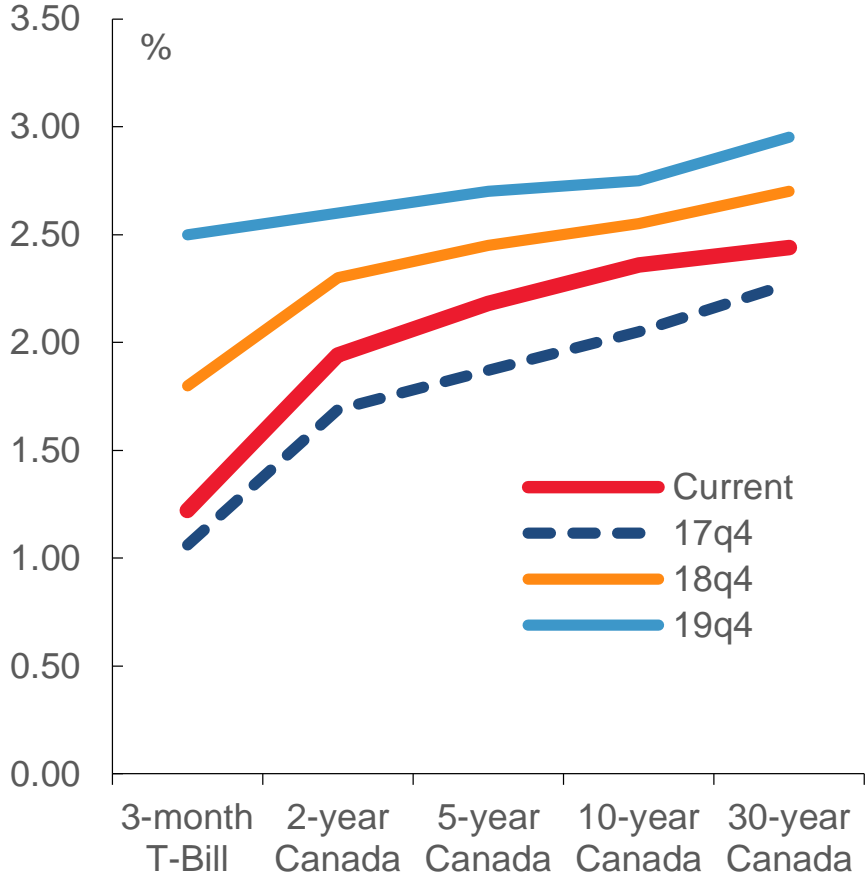
Higher Borrowing Costs

Bank of Canada Rate Forecasts



Sources: Scotiabank Economics, Bloomberg.

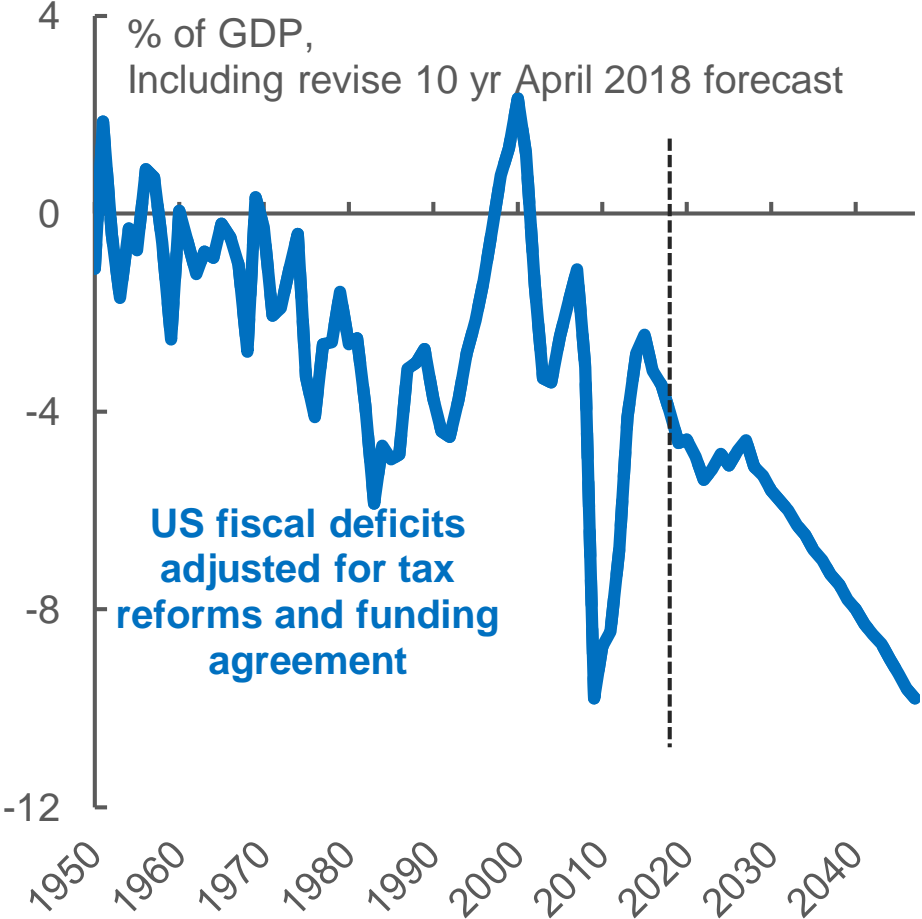
Canada Yield Curve



Source: Scotiabank Economics.

Canada Could Import Negative Bond Market Consequences

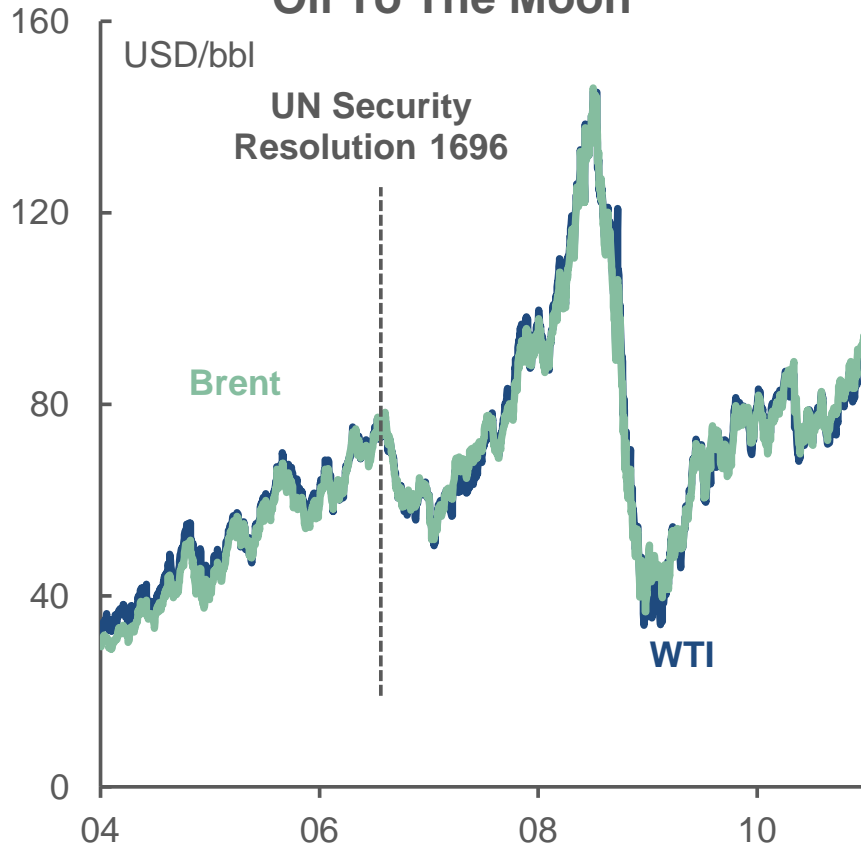
A US Fiscal Train Wreck



Sources: Scotiabank Economics, CBO.

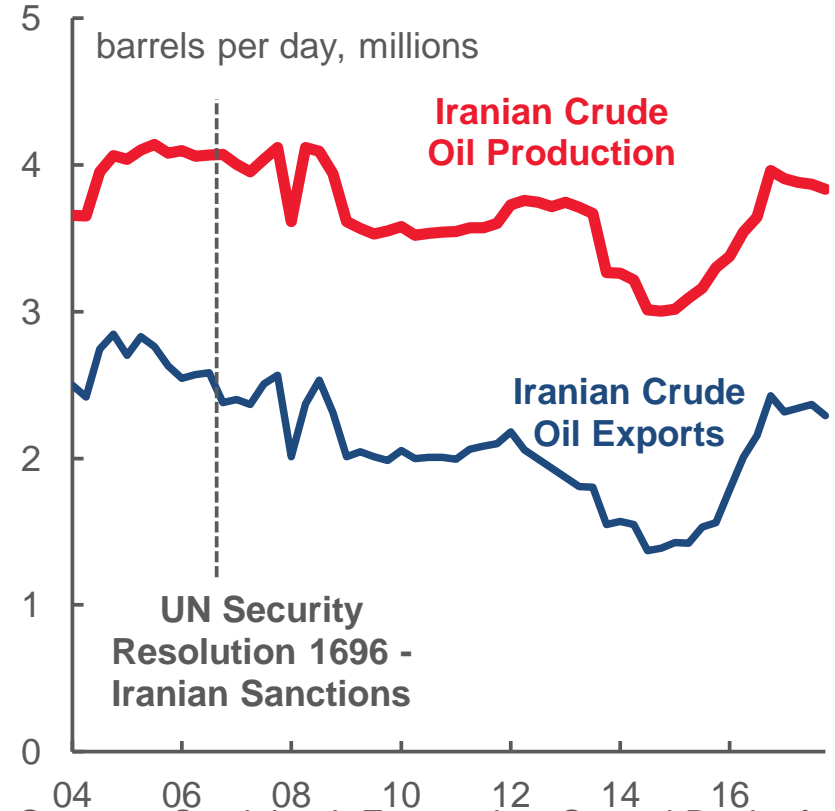
Iran Pull-Out Risks Overshooting Oil Prices...

Iranian Sanctions Drove Oil To The Moon



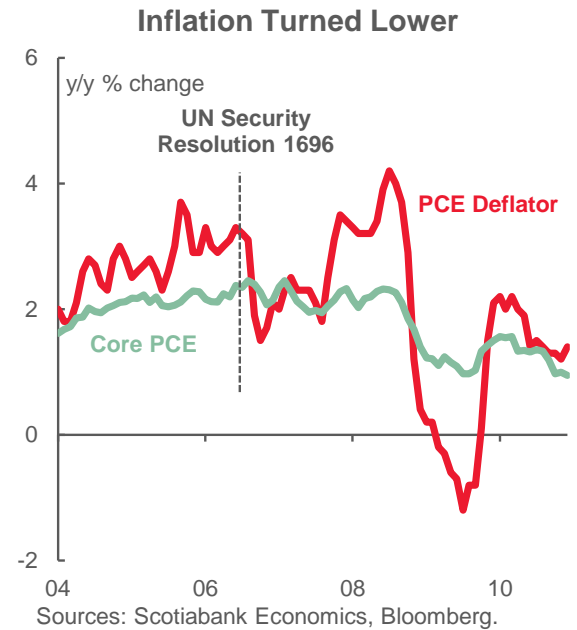
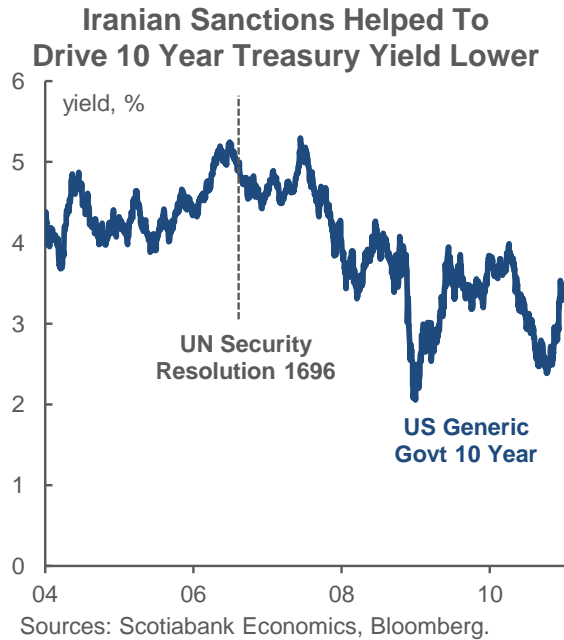
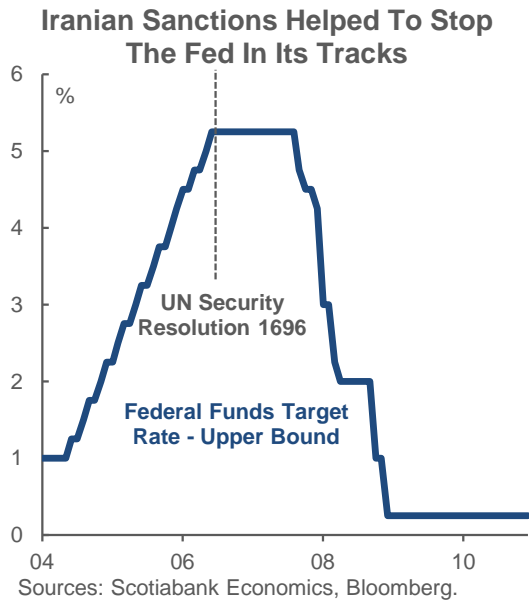
Sources: Scotiabank Economics, Bloomberg.

Iranian Sanctions Were A Major Oil Shock

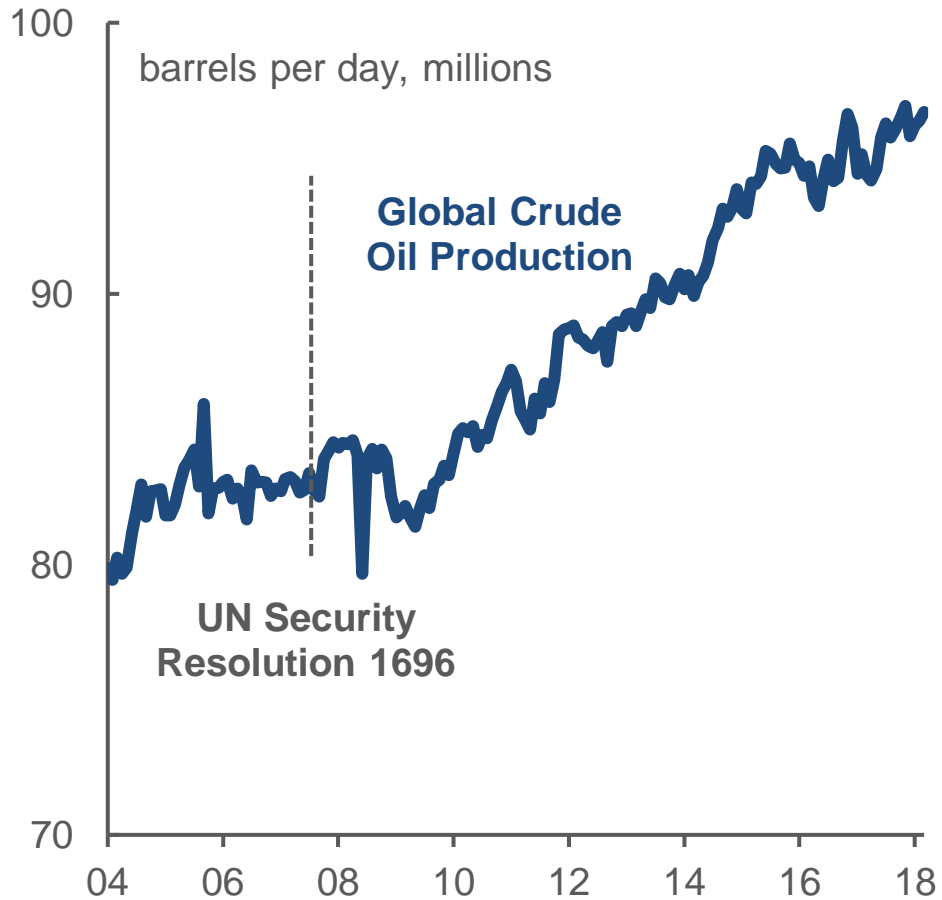


Sources: Scotiabank Economics, Central Bank of the Islamic Republic of Iran.

...With Various Knock-On Effects



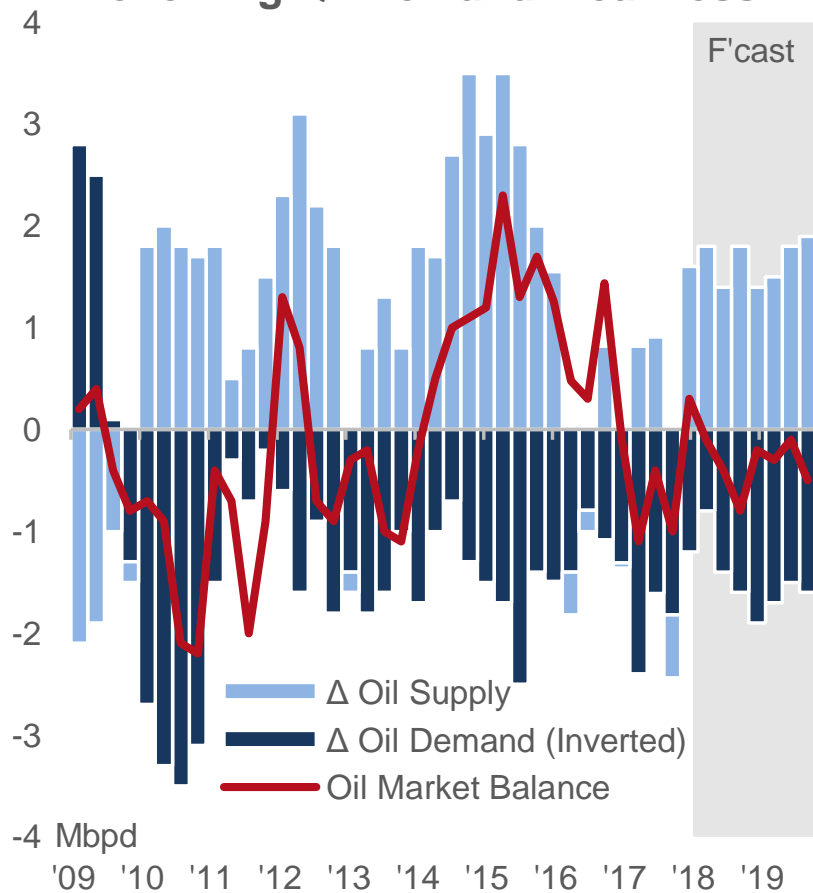
The World Produces More Oil Now



Sources: Scotiabank Economics, Bloomberg, Energy Intelligence..

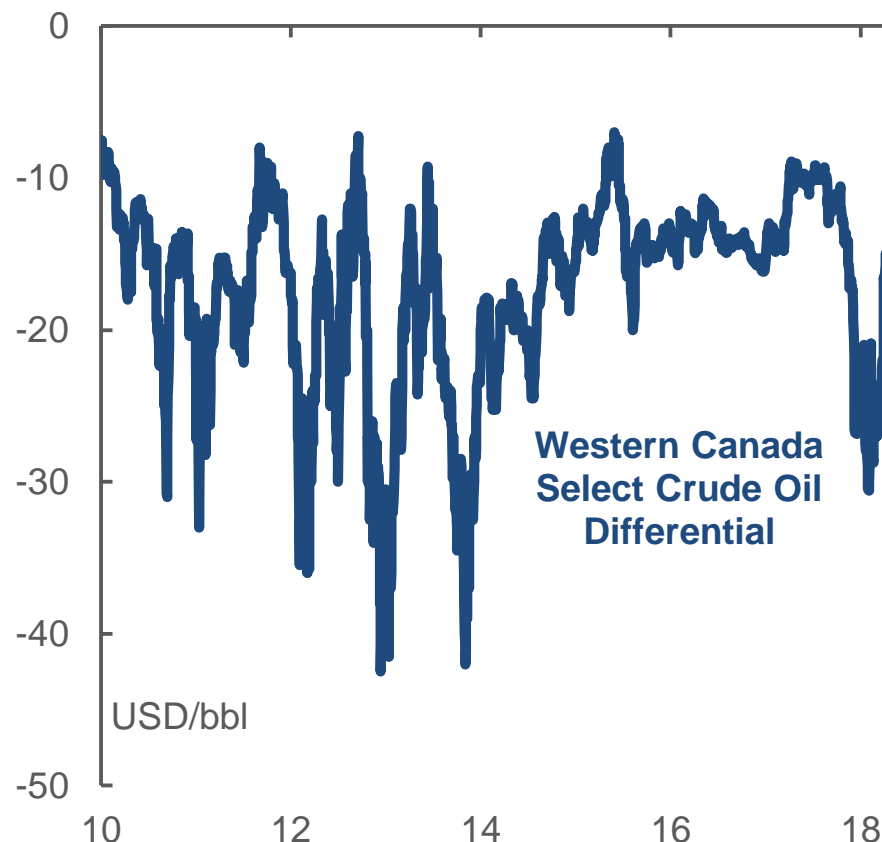
Supply Deficit To Be Addressed By Relaxed Cuts

Oil Supply Deficits To Persist Following Q1 Demand Weakness



Sources: Scotiabank Economics, Scotiabank GBM, IEA, EIA, JODI, OPEC.

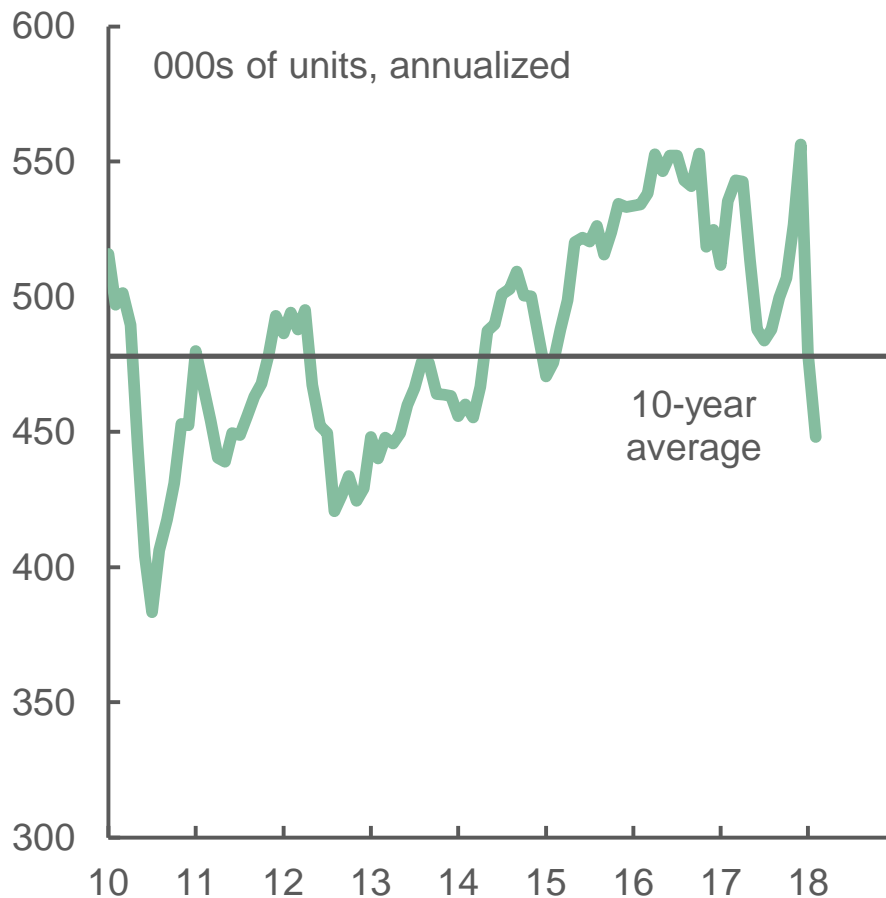
Canadian Oil Prices Still at a Discount



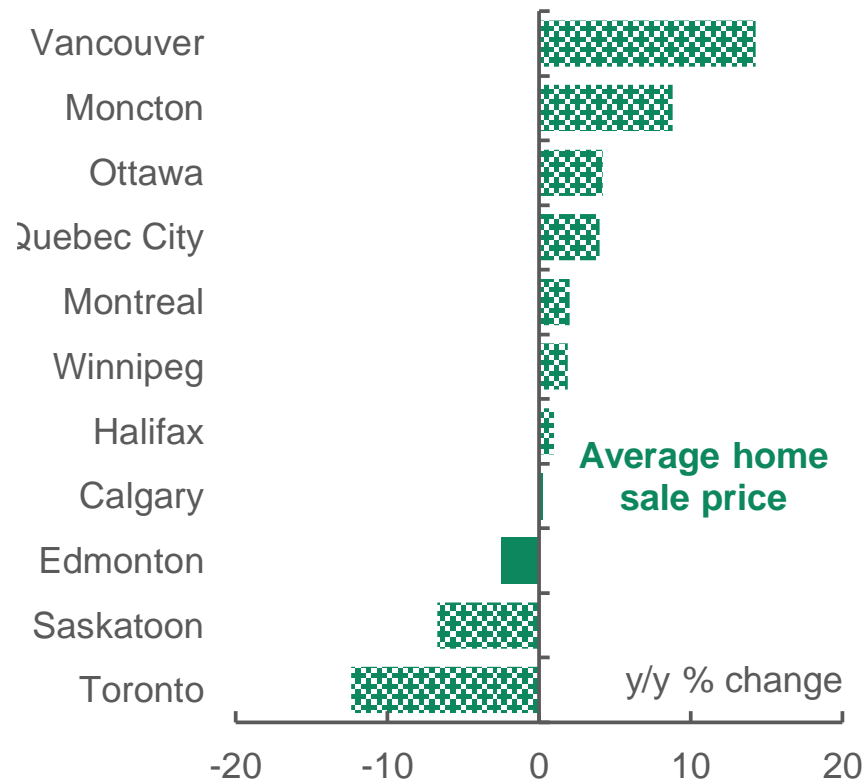
Sources: Scotiabank Economics, Bloomberg.

Alberta's Home Prices Are Now Relatively Resilient

National Home Sales



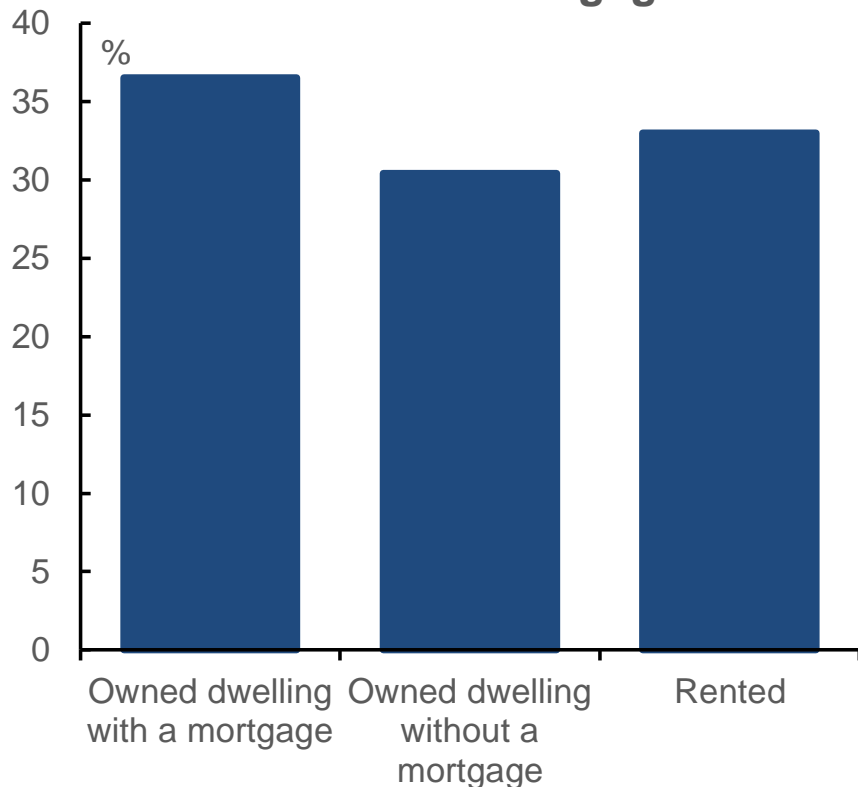
Alberta's House Prices are Relatively Resilient



Sources: Scotiabank Economics, CREA, Real Estate Boards.

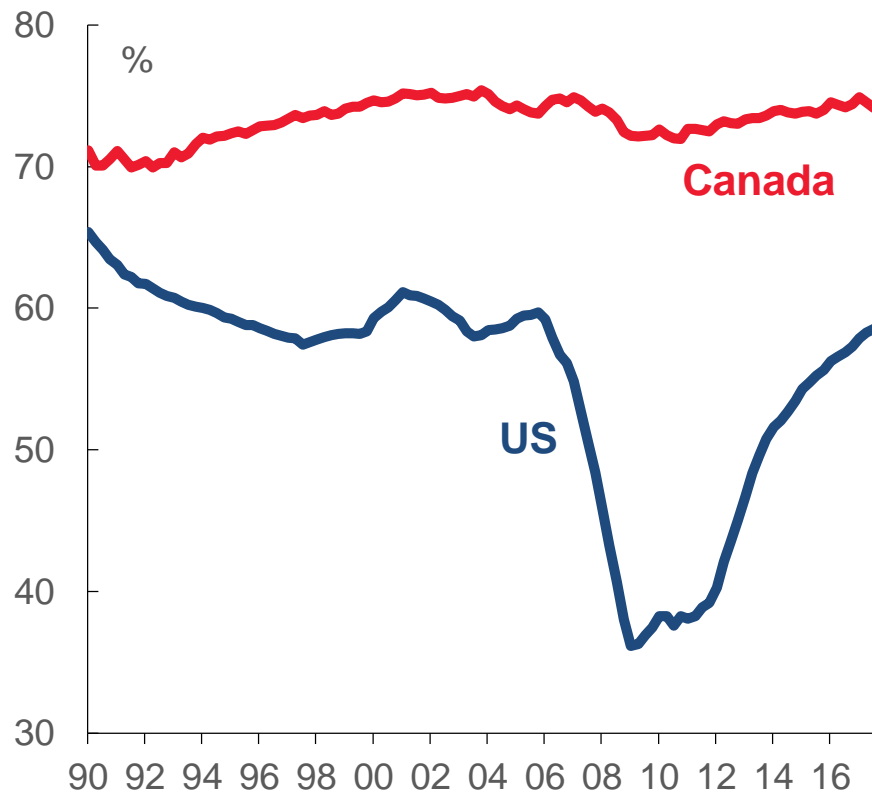
Mortgage Debt Matters, But The Challenge Is Often Overstated

Two-Thirds Of CDN Households Don't Have a Mortgage



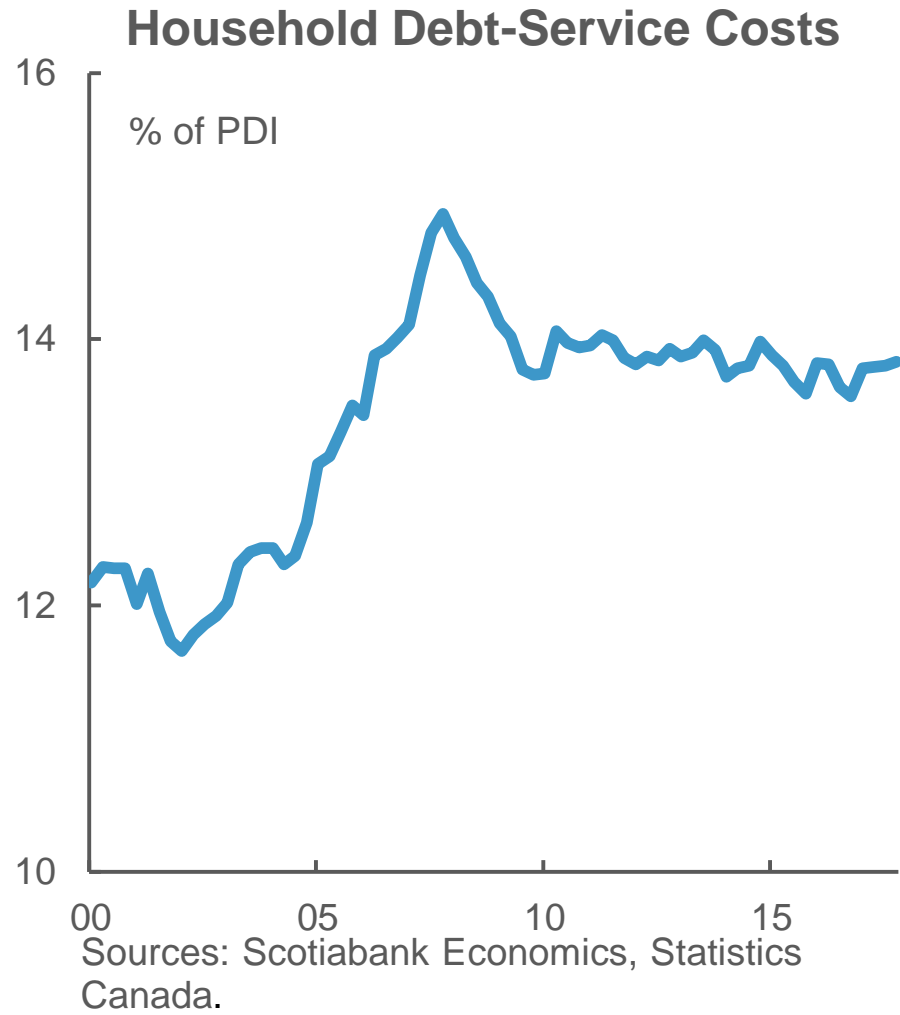
Sources: Scotiabank Economics, Statistics Canada.

Real Estate Equity as % of Real Estate Assets



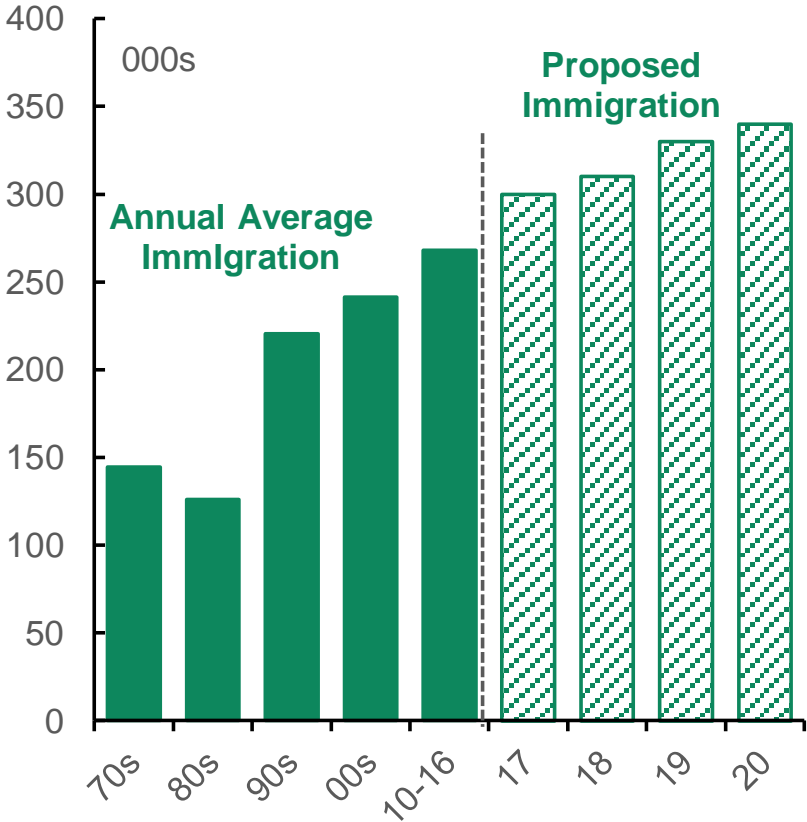
Sources: Scotiabank Economics, Federal Reserve Board, Statistics Canada.

Includes households, non-profits and unincorporated business.



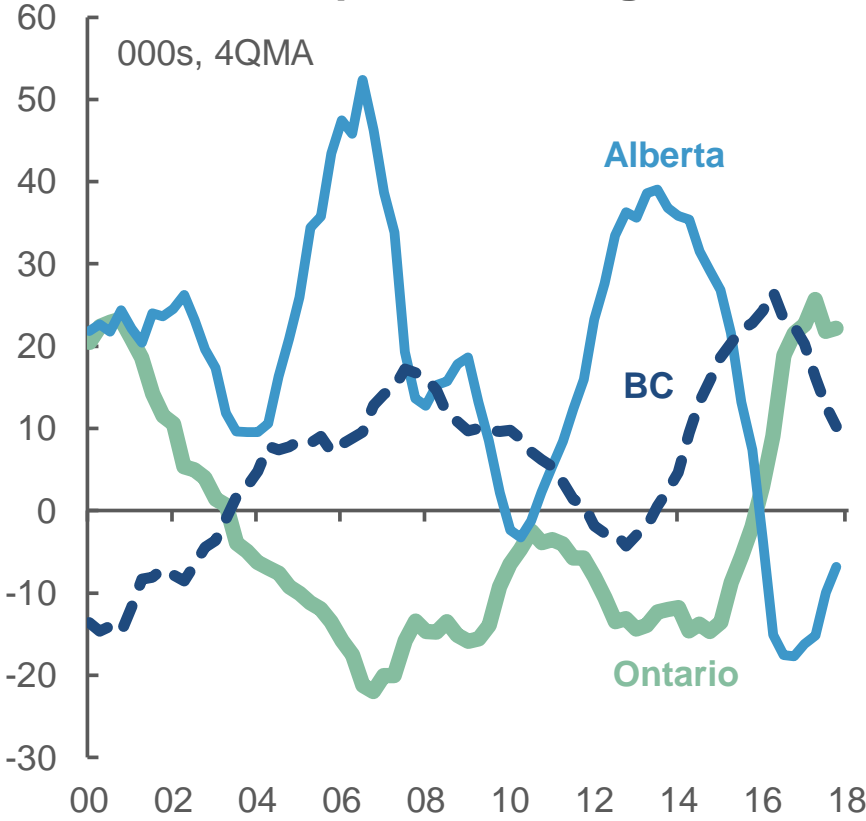
Demographics Support Housing With Alberta Improving

Proposed Immigration for Canada



Source: Statistics Canada, Ministry of Immigration, Refugees & Citizenship Canada.

Net Interprovincial Migration

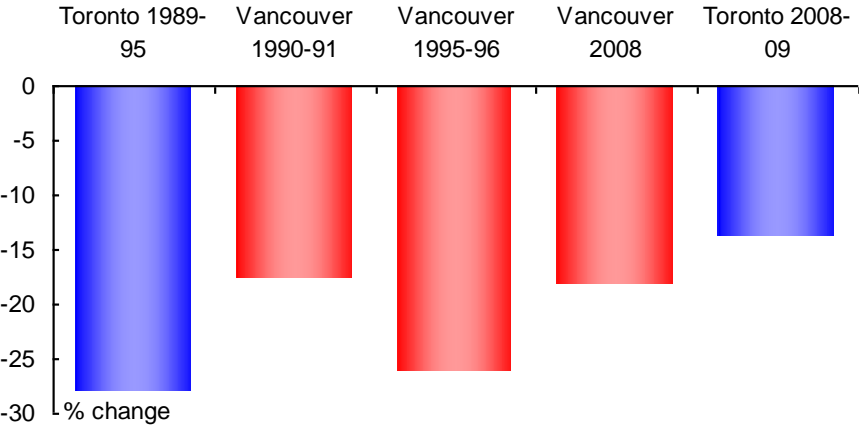


Sources: Scotiabank Economics, Statistics Canada.

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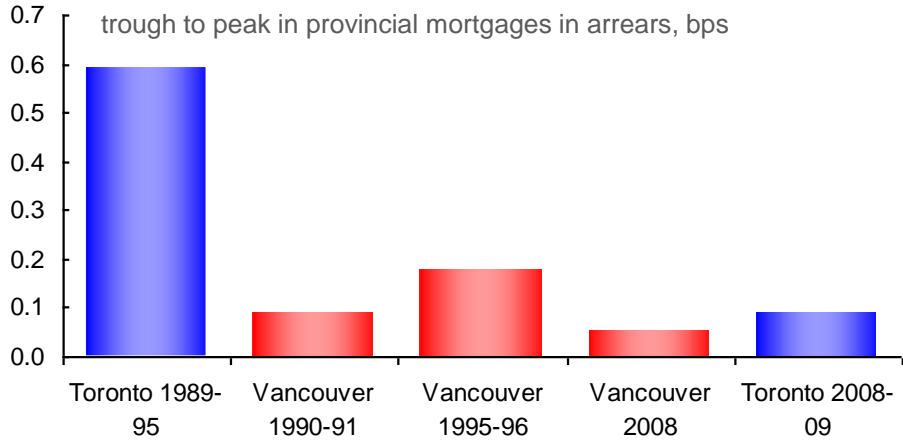
Canadians Usually Don't Default When House Prices Correct

Large House Price Corrections



Source: CREA MLS, Scotia Economics.

Mortgage Arrears During House Price Corrections



Source: Canadian Bankers Association, Scotia Economics.

Canada has witnessed some big price corrections since the late 1980s that corresponded with big shifts in the macro environment, notably in Toronto and Vancouver, and yet each time mortgage arrears barely budged. Implication? Originations are at greater risk than charge-offs.

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